

**SUPPORTIVE HOUSING FOR PERSONS EXPERIENCING CHRONIC HOMELESSNESS WORKING GROUP**

**Meeting 3: Gaps in Capital, Operating and Services Funding**

**MINNESOTA HOUSING FINANCE AGENCY - CAPITAL, OPERATING AND SERVICES FUNDING ANALYSIS**

PROGRAM NAME	DESCRIPTION	FUNDING SPECIFICS	ELIGIBILITY	CAPITAL	OPERATING Rental Subsidies	SERVICES	ASSESSMENT	OPPORTUNITY
MHFA Housing Trust Fund	Capital, Operating and Rental Assistance funding with a funding priority for supportive housing and housing that serves homeless.	General Fund State Appropriations  FY 2004-2005 \$8,610,000 MHFA	Incomes must not exceed 60% AMI, 75% of program funds for incomes that must not exceed 30% metro AMI statewide. (2003 statewide area median income is \$65,100).	Provides 0% interest deferred loans.	Provides grants for unique operating costs and revenue shortfalls (operating deficits).  Also, provides project-based and tenant based rental assistance program funding. Rental subsidy levels can be structured with either deep and shallow subsidies (30% of tenant's income for rent or a capped amount).	Not applicable – prohibited by statute.	Limited resources, operating funding still an ongoing issue, often need Section 8 to fully cover operating funding. <u>Capital</u> - often need Section 8 to make the rents affordable to the most vulnerable populations <u>Operating</u> - Short term grants (10 years), not available for the life of the loan <u>Rental Assistance</u> – 1. Tenant based - program funding, works well because its scattered site housing and tenants have housing choice.  <i>(continued on next page)</i>	MHFA has the ability to allocate the funds among any of the three activities as funding priorities change.

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MHFA Housing Trust Fund ( <i>continued</i> )							2. Projected based - Short term grant does not work well because MHFA does not have the resources to commit to project based development funding for 30 years.	
Low-Income Housing Tax Credits	The Housing Tax Credit (HTC) Program offers a ten-year reduction in tax liability to owners and investors in eligible affordable rental housing units.	FY 2004-2005 \$8.8 million approximately; including over \$5 million to MHFA and over \$4 million to Suballocators.  The Federal Tax Reform Act of 1986  Section 42 of the Internal Revenue Code Minnesota Statute 462A221 to 225	Residential Rental proposals where at least 50% of the units have rents affordable to households with incomes at 60% AMI or less; or 20% of the units have rents affordable to households with incomes at 50% AMI or less.	Housing units produced as a result of new construction, substantial rehabilitation, or acquisition with substantial rehabilitation. Program space can be considered part of basis, (not to exceed 20% of total basis) and use of that space by non-residents is permitted, as long as users' income is 60% or less of AMI.	Not an eligible use.	Not an eligible use.	Limited resources, supportive housing projects are competing with other affordable housing projects that need less additional resources. If Transitional Housing, residents must meet McKinney Act definition of homeless.	Developments proposing to set aside units for "households with special needs" or building SRO units will receive funding priority. A set aside for supportive housing for long term homeless is possible but first the MN HTC Statute and Qualified Allocation Plan (QAP) must be changed to allow chronically homeless as a targeted population under selection requirements. A priority for long-term homeless would require QAP change but not statutory change.

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Section 8 Housing Assistance Payments	Tenant pays 30% of income for rent and HUD pays the difference.  Tenant based or project based.	FFY 2004-2005 \$136,000,000 MHFA for project based assistance.  PHAs and HRAs directly receive Section 8 funds for tenant based or project based vouchers.  HUD 24 CFR Part 982	Incomes below 50% AMI or contracts before 1981 30% of units must have incomes below 50% AMI.  Must be fair market rent.		Provides project-based and tenant based rental assistance.  Tenant pays 30% of income for rent.  PHA applies for tenant based housing choice vouchers.  A PHA can use up to 20 percent of its housing choice vouchers for project based vouchers, funds are obligated under the annual contributions contract (ACC).	Recently HUD has allowed tenant service coordinator expenses to be paid out of the operating budget.  Rents may be increased under operating cost adjustment factor (OCAF) contracts to fund service coordination. Not all developments have OCAF rent increases.	Rent subsidies through Section 8 assistance is the key to covering operating costs in supportive housing  MHFA project based units can not be diverted  At one point in time, federal Section 8 preferences gave priority for occupancy by homeless or households at risk of becoming homeless.	Create a set aside within current MHFA project based units for future supportive housing units or consider using a select number of smaller project based family developments as permanent supportive housing sites.  PHAs/HRAs could project base tenant based vouchers for supportive housing units?

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Family Homeless Prevention and Assistance Program (FHPAP)	Housing and support services designed to stabilize people in their existing homes, shorten the amount of time that people stay in emergency shelters, and assist people with securing transitional or permanent affordable housing to eliminate repeated episodes of homelessness. MHFA	General Fund State Appropriations  FY 2004-2005 \$7,430,000 MHFA	Eligible Applicant: A county or group of contiguous counties jointly acting together or a non-profit organization with sponsoring resolutions from each county board within its operating jurisdiction.  Projects must be designed to stabilize households in existing housing, shorten shelter stay, and assist households to secure permanent housing.	Not allowable under current state statute.	Funds can be used to provide up to 24 months of rent assistance.	Funds can be used for any type of support services to help households maintain stable housing.	Program intent is to provide a systems change response to effectively use community resources to prevent homelessness and to rapidly re-house and stabilize households that have become homeless. Local projects target funds to serve the greatest number of households at the lowest cost in the shortest length of time to achieve effective outcomes. Using funds for Permanent Supportive Housing would decrease the ability to serve a large number of households.	Local projects could choose to direct funds to support services and rent assistance costs for permanent supportive housing.  And/or a specified amount of funds could be set aside for specific projects (but with 2 year limitations for rent assistance).
Bridges	Rental assistance for persons with mental illness until a Section 8 certificate becomes available.	FY 2004-2005 \$3,276,000 MHFA  982 households served in FY 2001-2002	Incomes below 50% AMI and one adult member with a serious and persistent mental illness.	NA	Provides tenant based and could provide project based rental assistance.  Tenant pays 30% of income for rent.	Prohibited by MN statute, requires service linkage to DHS/county mental health services.	Limited resources.	If more resources, could expand. Program is administered through housing authorities in partnership with Adult Mental Health Initiatives.

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Housing Opportunities For Persons with AIDS (HOPWA)	HOPWA funds may be used for a wide range of housing, social services, program planning, and development.	2003 Formula Allocation Minneapolis EMA \$839,000 Minnesota \$109,000 Funding priorities are set by the MN HIV Housing Coalition.		Acquisition, rehabilitation, or new construction of community residences or SRO housing units.	Costs for facility operations and rental assistance.	Health care and mental health services, chemical dependency treatment, nutritional services, case management, assistance with daily living, and other supportive services.	HOPWA rental assistance is currently maximized and in use. All units funded with HOPWA must be occupied by a family or person living with HIV/AIDS.	
Tribal Indian Housing	Mortgage loans, home improvement financing and rental assistance opportunities to American Indian people through out the state.	General Fund State Appropriations  May be used for homeownership loans.  FY 2004-2005 \$2,210,000	Minnesota Chippewa Tribe, Sioux communities, Red Lake band of Chippewa Indians.		Rental subsidies		Tribes could choose to change priorities to operating or for homeless prevention and housing tenancy support services.	
Urban Indian Housing	Homeownership and rental housing opportunities for low and moderate-income American Indians residing in urban areas.	General Fund State Appropriations  FY 2004-2005 \$360,000	American Indians in cities of 50,000 with an American Indian population in excess of 1000.		Rental subsidies.	Funding available for special assistance program components of projects that address specifically identified needs of American Indians.	Could choose to change priorities to operating or for homeless prevention and housing tenancy support services through the application process and the Council of Urban Indians.	

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HOME Rental Rehabilitation Program	Deferred loans to rehabilitate privately owned rental property.	<p>FY 2004-2005 \$10.3 million MHFA</p> <p>FY 2004-2005 \$12.8 million For the 6 Entitlement Communities - cities and counties.</p> <p>MHFA is the funder, delivering assistance through a network of local governments and nonprofit organizations in areas that do not receive a HOME allocation directly from HUD.</p>	<p>Nonprofits, individuals, corporations, partnerships.</p> <p>90% of tenants must not have incomes exceeding 60% AMI, adjusted for family size. Other rent and occupancy restrictions apply if the project has 5 or more units.</p>	<p>0% loans of \$100,000 or less, forgiven after 5-year affordability compliance. Requires a 25% owner match.</p> <p>0% deferred loans of \$100,000 or more require no owner match, but must be repaid at first mortgage maturity or earlier transfer of title. Maximum loan is \$14,000 per unit.</p>	No	No	No	
HOME (Activities that are eligible under HOME but that MHFA does not fund).	HOME (Activities that are eligible under HOME but that MHFA does not fund).	May be used to support the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing, for tenant-based rental assistance, and to support CHDOs.	Approximately \$10 million received per year, allocated among HOME Rental Rehabilitation, Minnesota Urban Rural Homesteading, and CHDO Operating Funds programs, and MHFA administrative expenses.	<p>Nonprofits, individuals, corporations, partnerships.</p> <p>90% of tenants must not have incomes exceeding 60% AMI, adjusted for family size. Other rent and occupancy restrictions apply if the project has 5 or more units.</p>	May be grants, loans, deferred loans, interest subsidies, equity investments, loan guarantees.	HOME may be used to pay a portion of the operating expenses of CHDOs that own, sponsor, or develop housing that is funded with CHDO set-aside dollars.	No	

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Multifamily Endowment Fund	MHFA Endowment Fund used for Flexible Financing for Capital Costs to complete the gap in development projects once underwriting is complete and the Contingency Fund.	MHFA Endowment Fund expenditures and repayments are redetermined for new activities every two years.	No income or rent limits.	Can be used for gap financing in conjunction with Agency amortizing first mortgages	May be used for one time rent subsidies.	May be used to fund tenant service coordination.	Flexible, limited funding source. Balance at this time is \$11 million.  Used primarily to support first mortgage program that in turn generates funds to support operations of the Agency plus provide funding for future loan activity from interest earnings on amortizing first mortgages.	May be used for anything the Agency statute and board authorizes.  Use of this resource for purposes other than supporting amortizing loan activity would result in fewer new affordable units being produced, higher rents on new units, and reduction in future sources of operating funds and loan activity.
<b>HUD McKinney- Vento Homeless Assistance Funds</b>								
Supportive Housing Program (SHP)	Innovative supportive housing, permanent housing for disabled persons, and safe havens developed to allow homeless persons to live as independently as possible.	FY 2003 SHP/SPC \$13,746,333 potential pro-rata share, plus bonus funding  FY 2002 SHP/SPC \$16,189,105  HUD McKinney-Vento Homeless Assistance Funds  Subtitle C of Title IV of the McKinney-Vento Homeless Assistance Act, 24 CFR part 583	Must serve people who are homeless.	Acquisition, rehabilitation, new construction.  Requires 50% match.	Operating Costs - requires cash contribution of 25% of the total operating costs.  Safe havens limit overnight occupancy to 25.	Supportive Services - requires cash contribution of 20% of total supportive service costs.  Supportive services only provider may not also provide the housing.	Resources are limited and competitive, only a couple new projects can be funded each year. In Ramsey and Hennepin Counties renewal project funding needs may not be met. Funding may be on a 1-2 year basis, making it difficult to access other ongoing funding.	Planning capacity to obtain funding in Greater MN could be improved.  Prioritize for safe havens or CD?

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Shelter Plus Care (SPC)	Rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded outside the program	<b>FY 2003 SHP/SPC \$13,746,333 potential pro-rata share, plus bonus funding</b>  <b>FY 2002 SHP/SPC \$16,189,105</b>  HUD McKinney-Vento Homeless Assistance Funds  Subtitle F of Title IV of the McKinney-Vento Homeless Assistance Act, 24 CFR part 582	Must serve people who are homeless and disabled.  Government or PHA must apply.		Tenant, sponsor, project or SRO based rental assistance  Rental assistance must be matched dollar for dollar with support services		Resources are limited. Compete with permanent Supportive Housing Program projects.	Support service funding match could be MA?
Section 8 SRO Moderate Rehabilitation Program	Rental assistance on behalf of homeless individuals in connection with moderate rehab.  Units for occupancy by one person, may contain food preparation or sanitary facilities.	Funding is available for SRO Mod Rehab.  HUD McKinney-Vento Homeless Assistance Funds  Section 411 of the McKinney-Vento Homeless Assistance Act, 24 CFR part 882	<b>Must serve people who are homeless.</b>  <b>Non-profit organizations and PHAs must apply.</b>		SRO housing rental assistance.  Rental assistance covers operating expenses including debt services for rehabilitation financing but resources outside of the program pay for rehab.			